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Pension plans change today for state workers

by Terri Hallenbeck, *Free Press Staff Writer*

MONTPELIER -- Starting today, many state employees will be putting more money into their pension plans, setting them up to take more with them when they retire. As retirees, they'll also receive a full cost-of-living adjustment, instead of half. The new adjustment has a cap of 5 percent.

Those hired from now on will have to hold on for three more years to receive full retirement benefits as the age goes from 62 to 65. They'll also have to put in more time than their predecessors if they want to keep the health insurance coverage in retirement that they have as employees. Those are among the changes made this year to the pension plan that covers "Group F," the bulk of the state labor pool, which represents about 11,480 state employees and retirees.

Jeff Briggs, a state forester who works in St. Johnsbury, helped negotiate the plan. He said the changes are good for employees. "I think it's going to make a major difference in our retirement," Briggs said.

State Treasurer Jeb Spaulding said the changes are good for the state, too. "We ended up meeting the needs of everybody," he said.

For the state, the changes will save $265,000 this year and $264 million over the next 30 years because of the higher retirement age and modifications to the health benefits, Spaulding said.

Increasing the age from 62 to 65 for future employees comes as people are living longer and other retirement plans are making the same shift. Those employees will also have the option of retiring when their age and service add up to 87. Future state workers will also have to put more time in before they may qualify for 80 percent coverage of health care in retirement. Current employees qualify for that after five years with the state, but future employees will have to work 10 years to reach 40 percent coverage, with gradual increases to reach 80 percent.

Making those changes would have been a tough sell to the union without pairing them with other changes such as the cost-of-living adjustment, Spaulding said.

For employees, the first change most will notice is that they will be putting more money from their paycheck into their pension. Their contribution will increase 1.75 percentage points from 3.35 percent to 5.1 percent.

Some employees have cried foul over that because the increased contribution will eat virtually all of their annual raises, said Bob Hooper, a social worker and former union president who helped work on the changes. Hooper said, however, that moving to a full cost-of-living adjustment for retirees was important, and the increased contributions will pay for that.

"Retirees came back with stories of how the cost-of-living was really kicking them in the shins," he said.

Terry Macaig, executive assistant to the director of the Vermont State Employees Association, said older employees have tended to be more supportive of the changes than younger ones. The younger ones will be paying the increased contribution longer than their older co-workers, who will see the benefits sooner.

The changes also increase retirees' life insurance coverage from $5,000 to $10,000.

"The whole package was a good compromise," Macaig said. "It took a lot of wrangling over the course of several months."

State workers covered under the "Group F" pension plan may calculate the impact of the changes in their contributions to the plan on the Treasurer's Office Web site: www.vermonttreasurer.gov/retirement/state/calculator.html.